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Required Report - public distribution

Date: 12/4/2013

GAIN Report Number: BR 0922

Brazil

Oilseeds and Products Update

Good Weather and Diminished Pest Threat Contribute to Increased Soybean Production Estimate of 88.5 Million Metric Tons (MMT); Exports Estimated at 45 MMT

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Report Highlights:

Brazil's soybean production is on target to reach 88.5 million metric tons (mmt). Key factors include well-distributed and regular rains and the agronomic success of pesticide application in combating Helicoverpa. 2013/14 forward sales are ten percent slower than in 2012/13. Exports are estimated at 45 mmt and expected to be aided by a larger truck fleet and less pressure from competing corn exports.

Post:

Commodities:

Brasilia

Oilseed, Soybean (Local)

Oilseed, Soybean (Local) Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Feb 2012		Market Year Begin: Feb 2013		Market Year Begin: Feb 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	25,000	25,000	27,700	27,736	29,100	29,300
Area Harvested	25,000	25,000	27,700	27,736	29,100	29,300
Beginning Stocks	5,470	5,470	1,183	1,183	2,378	1,883
Production	66,500	66,500	82,000	81,500	88,000	88,500
MY Imports	298	298	195	200	100	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	72,268	72,268	83,378	82,883	90,478	90,483
MY Exports	31,905	31,905	42,500	42,500	44,000	45,000
MY Exp. to EU	5,600	5,600	5,800	5,800	6,000	5,800
Crush	36,230	36,230	35,500	35,500	37,625	38,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,950	2,950	3,000	3,000	3,175	3,200
Total Dom. Cons.	39,180	39,180	38,500	38,500	40,800	41,200
Ending Stocks	1,183	1,183	2,378	1,883	5,678	4,283
Total Distribution	72,268	72,268	83,378	82,883	90,478	90,483
1000 HA, 1000 MT						

Production on Target for Estimated 88.5 Million Metric Tons (MMT) with Cooperative Weather and Controlled Helicoverpa

Post is raising its 2013/14 production estimate to a record 88.5 mmt, based on ideal weather and planting thus far in the season. The production area estimate is raised to 29.3 million hectares, assuming an additional 200,000 hectares planted to second crop (*safrinha*) soybeans, mostly in Mato Grosso. The uncertainty and agronomic concerns—nematodes, Helicoverpa, no-till planting crop-on-crop, pest pressures—temper more ambitious second crop soybean prospects. Currently, there are no seed sales that would belie a production area larger than 200,000 hectares. Nevertheless, second crop corn seed sales have also been slow (because of the projected slim-to-negative margins), a situation which is leading analysts to believe that many farmers will make second crop planting decisions at the last minute in January (Mato Grosso) and February (Paraná), heavily factoring commodity prices and input costs at that time. Rainfall has been well distributed and constant, allowing for excellent planting and ideal plant maturation. Soybean planting for all of Brazil is estimated to be 89 percent complete. Planting in Mato Grosso is slightly behind what it was at this same time in 2012, but that was because frequent rains this year minimally slowed planting. Paraná has completed 100 percent of its soybean planting and Bahia has completed 95 percent, with production area increases estimated at four percent and five percent, respectively, according to the state authorities. Planting in Rio Grande do Sul is 90 percent complete, also behind last year's planting rate because of the regular rains every week; planting there should conclude by December 9.

Producers and analysts anticipate that Helicoverpa will impact production costs more than yields. Already the states of Mato Grosso and Bahia have declared a state of emergency, which serves as a trigger to allow producers to import pesticides not yet approved and regulated through normal

government channels. Whether the southern states of Paraná and Rio Grande do Sul make a similar declaration will hinge on Helicoverpa prevalence. Rio Grande do Sul has found the pest already and has requested the state to declare a state of emergency. Production costs are estimated to increase about US\$150 per hectare due to the additional pesticide applications required to combat Helicoverpa.

It is being reported that the new-to-market soybean variety *Intacta RR2 Pro* is proving resistant to Helicoverpa and makes for easier farm management. Nevertheless, due to supply limitations and farmer planting preferences (i.e. seed diversification), it is estimated that the variety has only penetrated ten percent of the market.

Exports Estimated at 45 MMT to be Aided by Larger Truck Fleet and Less Pressure from Corn Exports, Though 2013/14 Forward Sales 10 Percent Slower than in 2012/13

2013/14 soybean exports are estimated at 45 mmt, assuming relatively stable commodity prices, and sustained Chinese demand. There are no major changes expected to impact export corridors for 2013/14 soybeans. 2013/14 exports will largely mirror those of 2012/13. Various analysts have estimated that the truck fleet has grown 7-8 percent over the last year, because of the new trucking law. This growth is expected to facilitate inland movement but will increase land-congestion at the ports.

It is expected that infrastructure will experience less pressure from corn exports for 2013/14 due to a reduced second crop corn harvest, which should favorably impact soybean exports. Last year because traders were trying to rush soybean exports out before the record corn crop, traders pointed to February as a key month for starting out strong with soybeans exports. This year, with a projected decrease in corn production and exports, traders have indicated that there is not the same push to get soybeans out in February, barring significant market changes. Similarly, the pressure to wrap up soybean exports in July is diminished and traders believe soybean exports can continue easily into August.

Only 40 percent of the 2013/14 soybeans have been forward sold, a ten percent from 2012/13. Because of this, product delivery timeframes will experience reduced predictability. Other than this, Post does not anticipate any significant long-term impact on exports.

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[September 30, 2013 Brazil Soybean Update Report](#)

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